




Is Corruption Getting Worse in Latin America?

Latin American Advisors of Inter-American Dialogue Interview

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FEATURED Q&A

Is Corruption Getting Worse in Latin America?

Q More than half of respondents in Transparency International's Global Corruption Barometer 2013 survey, which was released last year, believe corruption has worsened in the past two years. In Latin American countries, respondents said political parties and the police were among the institutions most affected by corruption. Has corruption worsened in Latin America and the Caribbean? Where have governments, civil society and businesses made strides in combatting corruption? Where have such efforts fallen short?

A Charles Parkinson, project manager at InSight Crime: "A significant improvement or deterioration in the corruption landscape of a country generally occurs over many years. In that sense, it is hard to judge whether corruption has worsened over a relatively short period, despite a majority of citizen survey respondents saying it has. However, such survey results remain extremely significant. According to the 2013 Global Corruption Barometer (GCB), the majority of respondents from Latin America said they felt corruption had worsened in the past two years—a pattern seen worldwide. The same trend was noticeable in the 2010/2011 GCB. Yet according to Transparency International's Global Corruption Index (GCI)—compiled by consulting NGOs focused on public services and business—historical corruption ratings from Latin America have

remained almost static over that period. Notably, Uruguay has improved on the GCI, yet overwhelmingly citizens continue to feel corruption has worsened or remained the same. There appears to be a reality gap, with citizens and specialized NGOs not in tandem in Transparency International's findings. But while the Corruption Barometer may not necessarily reveal a definitive pattern in corruption, it highlights the awareness of the general public to the problem. Governments can be forced to sit up and address corruption

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Haitian, Dominican Officials Discuss Citizenship Ruling

Prime Minister Laurent Lamothe and other Haitian officials on Tuesday discussed with Dominican counterparts a court ruling that could strip citizenship from some Dominicans of Haitian descent. See story on page 2.

File Photo: U.S. Government.

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NEWS BRIEFS

Vigilantes Holding 11 Officers in Mexico's Michoacán State

A vigilante "self-defense group" that took over the main government building of the small Mexican city of Parácuaro, in Michoacán state, over the weekend was still refusing to release 11 police officers held as prisoners Tuesday, the *Los Angeles Times* reported. About 300 vigilantes reportedly engaged in a shootout with a criminal group Saturday and took control of the building. Highways in the area have been blocked this week by protestors upset over the security situation, according to the report.

Production Begins at New Mazda Plant in Mexico

Vehicle production has started at **Mazda Motor Corp.**'s new plant in Salamanca, in Mexico's Guanajuato state, Japanese daily newspaper *Asahi Shimbun* reported Tuesday. The plant will produce the Mazda 3 sedan for the United States and other countries in the Americas and Europe. Mazda has sold some 180,000 vehicles in Mexico since entering that market in 2005.

Venezuela Sales of Oil to U.S. Fall 15 Percent Through October

Sales of Venezuelan oil to the United States fell 15 percent last year through the end of October, according to data from the U.S. Department of Energy, *El Universal* reported Tuesday. In October, Venezuela sold approximately 759,000 barrels per day (bpd) of oil and byproducts to the United States, a 20 percent drop from the 951,000 bpd shipped in October 2012. On average, in January–October 2013, shipments of hydrocarbons to the United States reached 791,000 bpd, a 15.3 percent drop from the same period in 2012.

Political News**Haitian, Dominican Officials Discuss Citizenship Ruling**

Officials from the Dominican Republic and Haiti met on Tuesday in an effort to calm bilateral tensions after a public outcry erupted over a September constitutional court ruling that could strip some people of Haitian descent of Dominican citizenship, *Listín Diario* reported. In a

The ruling has led to fears that some Dominicans of Haitian descent could be left stateless.

joint statement read by the Dominican minister of the presidency, Gustavo Montalvo, and Haitian Prime Minister Laurent Lamothe, the Dominican government said that in the coming weeks it would advance "additional legislation" to respond to immigration cases not covered under current law that have left citizens wondering if they could be left "stateless." The joint statement also declared that Haiti recognized the sovereign right of the Dominican Republic to determine its immigration policy and rules for the granting of nationality, although Haiti requested guarantees to protect the basic rights of people of Haitian descent, according to the report. After the meeting, Lamothe also said that the Dominican Republic's National Office of Migration will provide temporary papers for Haitians who work in the country, according to the Associated Press. The meeting, which also covered commercial, environmental and security issues, included 10 Dominican officials and some 30 Haitian representatives, as well as former President Martin Torrijos of Panama and other international observers. The next session is scheduled for Feb. 3 in the Dominican Republic with plans to hold talks monthly. [Editor's note: See related [Q&A](#) on the immigra-

tion dispute in the Oct. 18 issue of the *Advisor*.]

Economic News**Argentina Orders Utilities to Compensate Customers for Outages**

Argentina's government on Tuesday declared that electricity distributors must pay customers affected by recent power outages as much as 870 pesos (\$132), *Clarín* reported. In a statement in the *Official Gazette*, the government said electricity distributors **Edenor** and **Edesur** must pay 490 pesos to residential customers who suffered power outages of between 12 and 24 hours in December's heat wave, 760 pesos to those without service between 24 and 48 hours, and 870 pesos to those without power for more than 48 hours. Some neighborhoods were without power for more than 15 days, according to *Clarín*. The payments must be applied via discounts on future electricity bills. In related news, Cabinet Chief Jorge Capitanich said Tuesday that Edenor and Edesur showed "negligence" in their management, the Associated Press reported. The government is stripping the companies of their investment management power and will now administer the trust fund for their investments, according to the report. Other government officials have threatened to revoke the company's concession. Edenor has said it plans \$300 million of capital expenditures in 2014, with plans to invest a total of \$610.2 million over the next three years. Claudio Loser, the former head of the Western Hemisphere for the International Monetary Fund and a senior fellow at the Inter-American Dialogue, in an *Infolatam* [column](#) Monday, faulted the Fernández administration, in part, for the outages. "Clearly, government policies tend to reduce investment and increase residential consumption," Loser said.



Capitanich

File Photo: Argentine Government.

Company News

Panama, Consortium Seek Deal to End Canal Dispute

The Panama Canal Authority and the consortium that is constructing the expansion of the waterway on Tuesday discussed details of a deal that would avert a halt to the project as the two sides wrangle over who should pay for \$1.6 billion in cost overruns, Reuters reported.



Quijano

File Photo: Panama Canal Authority.

Both the canal authority and the Grupo Unidos por el Canal consortium, which is led by Spanish construction company **Sacyr**, agreed to put up at least \$100 million. The consortium said it had asked the authority for an advance of \$400 million, while the canal authority proposed \$283 million in joint financing. The administrator's offer is seen as less attractive for the consortium because it would require the companies to contribute new money while the canal authority would just advance money that it had already intended to pay. The administrator's plan would involve both sides contributing \$100 million, and the consortium would have more time to repay an advance of \$83 million. Additionally, the deal would require the consortium to stop threatening to halt work on Jan. 20 and to use arbitration panels for its claim for the cost overruns. The consortium's counter-offer would require the canal authority to lengthen a moratorium on repayment of a \$794 million cash advance. "The Panama Canal can't have this work stopped," canal authority head Jorge Quijano told reporters earlier Tuesday in Panama City, Reuters reported. "And we have to do everything necessary to continue with the project." The cost overruns would put the canal expansion's total cost at about \$7 billion. The project will double the canal's capacity and is 72 percent complete, according to the Panama Canal Authority.

Featured Q&A

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through citizen participation—as seen with the recent removal of immunity from a Paraguayan senator accused of corruption, following widespread protests. While such activism is unlikely to eradicate it entirely, the malignant nature of corruption means any course of action against it must be welcomed. Corruption is a doorway that facilitates the presence and activities of organized crime. The fact that transnational criminal groups continue to generate billions of dollars in illicit profits each year in Latin America is testament to the region's endemic corruption. Recent efforts to address some aspects of it, such as police reform, have been notable throughout the region, yet usually unsuccessful. Honduras is perhaps a case in point. However, the fact that such overwhelming numbers of citizens see no improvement may pressure governments to the point where they have to tackle this cancer that undermines democracy and allows organized crime to flourish."

A Ruben Olmos, managing partner at Global Nexus LLC in Washington: "With 31 countries in Latin America now signatories to the Organization of American States' Convention Against Corruption, it is unfortunate that the culture of corruption has failed to disappear despite the region's economic growth and democratic reforms of the last couple of years. Many agree that organized crime and violence have been undermining the strength of institutions, and many of the efforts made by authorities in recent years have been affected. The numbers are clear. In Central American countries, especially in Guatemala, where drug trafficking and gang violence have advanced due to a spillover from Mexico, corruption has increased in the past year. Even in Costa Rica, which was always considered a calm and peaceful destination, being part of the drug-trade route has affected its image, and bribery cases are climbing.

While the larger regional powers (Brazil and Mexico) should do even more to improve governance and anti-corruption practices, there are signs of improvement. In Brazil, the judiciary took on a major corruption case, known as the Mensalão, against dozens of high-profile politicians and bankers connected to former President Luiz Inácio Lula da Silva, which shows that even the best connected are subject to the law. Meanwhile in Mexico, President Enrique Peña Nieto's administration has been working with Congress to advance key economic reforms which all include anti-corruption and transparency practices. Make no mistake, while economic stability is key for the region's future, a weak judicial architecture combined with corrupt institutions could become the biggest obstacle for development and prosperity."

A Carlos Sabino, director of the masters and doctorate in history program at the Universidad Francisco Marroquín in Guatemala: "The problem with the measurement of corruption is that it is an index of perception, subjective by nature, and that corruption—like all crimes—is hidden as much as possible."

“It is impossible to know if corruption itself increases or decreases, but what can be seen is that there is less and less tolerance for it.”

— Carlos Sabino

ble. I personally don't think that corruption has increased, but that greater sensitivity to the problem brings more cases to justice and that the media is more aware of the possible cases that occur. This is very positive in the sense that it

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hinders acts of corruption since it forces officials to take more care and to proceed more cautiously. It is impossible to know if corruption itself increases or decreases, but what can be seen is that there is less and less tolerance for it. That is important, a positive step. What is lacking now is avoiding bureaucratic red tape in the fight against this scourge and instead strengthening citizens' awareness and their watchful stance. This forces each public agency to account for their actions and depoliticize the issue, as they usually tend to pursue corrupt individuals of the opposing party, but protect those who are in power or are of the same political party."

A Miguel Schloss, president of Surinvest Ltd. in Chile and former executive director of Transparency International: "It has now been 10 years that 80 to 85 percent of Latin-American countries and 70 percent worldwide scored poorly (below 50) in Transparency International's Corruption Perception Index—with no discernible trend throughout this period. Except for a few cases like Uruguay's improved ratings, it's hard to point to actions succeeding in tangibly 'moving the needle.' Surely, there have been interesting experiments in civil society organizations tracking public sectors, but they haven't lent themselves to any upscaling or impact of significance. Multilateral banks have supported anti-corruption programs, but the records represent intermediate steps rather than genuine outcomes. Similarly, international efforts instituted to track taxes paid by extractive industries to avoid corruption—like other heavy control vehicles—lacked the capacity and dynamism that companies

master to deflect incomes or costs where they can circumvent such controls. Chief among the difficulties in the region is its heavy dependence on natural resources. When resources come from nature, rather than hard toil, the temptation is to manage them as the product of loot. As long as resources are plentiful, massive transfers create barriers to reform, sustained by entitlement mindsets, while freeing governments from taxing their citizens. This removes a link between governments and citizenry and thus incentives for accountability. Not surprisingly, this generates views critical of political parties throughout the region, detected in Barometer surveys, given their inability to keep in check the influence of special interests that capture governments to their advantage. Merely signing international agreements, launching 'campaigns,' adopting anti-corruption laws, creating commissions or establishing complex monitoring arrangements will not get the job done. A sharper approach is needed to focus on the way institutions and policies actually work, the incentives they generate and the way they are circumvented. Strategically focusing on underlying causes and weaknesses in key institutions and policies—particularly flawed governance and incentive systems, inadequate enforcement of competition and other laws, imperfect information and transparency arrangements, and specific country conditions and capabilities—is ultimately the only way to generate effective results."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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Erik Brand

General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Megan Cook

Reporter, Assistant Editor
mcook@thedialogue.org

Inter-American Dialogue

Michael Shifter, President

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